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**SF 463** – Retirement Savings Plan Option (LSB2200SV)

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Fiscal Note Version – New

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**Description**

[Senate File 463](#) concerns authorized investment vehicles in a tax-sheltered investment program established by the Department of Administrative Services (DAS).

**Background**

- The DAS began administering the 403b plan on January 1, 2010. The 403b plan primarily serves K-12, Area Education Agency (AEA), and community college employees.
- School districts have the option to offer 403b programs to their employees. When offering a 403b plan, employers may choose to utilize “core” providers and/or designated “optional” providers.
- There are currently 332 employers (school districts, AEAs, and community colleges) participating in the State’s Retirement Investors’ Club (RIC) 403b program, of which 19 school districts utilize both core and optional providers for their employees. The remaining 313 employers use only the core providers.
- The 403b plan currently includes the following two types of providers:
  - The four “core” providers include Horace Mann, Mass Mutual, VALIC, and Voya. These providers must meet specific requirements, such as limiting fees, ensuring that plan offerings meet the State of Iowa RIC investment policy and are reviewed annually, as well as assessing no surrender or transfer penalties or restrictions. A request for proposal (RFP) is issued every six years for the core providers. The State is currently in the second year of a two-year contract period, with four one-year extensions available.
  - The five “optional” providers include Annuity Investors Life Insurance Company, EFS Advisors, AXA Equitable, Lincoln Investment, and Security Benefit. These providers do not have the same restrictions as the core providers. Optional providers are currently required to enter into an agreement with the DAS to permit plan sponsor access, allowing the DAS to provide electronic submission and approval of contributor loans against investments and/or hardship distributions. Optional providers are selected through an invitation to qualify (ITQ), which is on the same cycle as the RFP for the core providers.
- The common remitter for the DAS is Voya. A common remitter allows employers the ability to remit contributions to investment providers through a single distribution provider. Using a single distribution provider eliminates the need to transmit contributions to each individual employee’s investment provider.
- The 332 employers in the 403b program currently pay an annual fee of \$400 per employer to support the administrative costs of the program. This fee pays for 1.10 FTE positions in the DAS, totaling approximately \$136,000. These positions include 1.0 full-time Human Resource Professional position and 0.10 Executive Officer 4 position.

**Assumptions**

- The fiscal impact of SF 463 depends on participation and investor utilization of the optional providers.
- In addition to the nine current providers (four core and five optional), the Bill permits an additional 21 providers for a total of 30.

- If an additional eight providers were added for a total of 17, the DAS would add an additional FTE position, and the annual employer fee may increase up to \$300 for a total maximum of \$700. If an additional 16 providers were added for a total of 25, the DAS would add an additional FTE position for a total of 3.0, which would include a full-time Human Resources Professional 1 position and a part-time Executive Officer 4 position. In this case, the annual employer fee may increase up to \$615 for a total maximum of \$1,015.

### **Fiscal Impact**

The fiscal impact of SF 463 is unknown at this time, as it depends on the level of participation and investor utilization of the optional providers. The following chart shows the potential impact. An additional FTE position may be necessary for every eight providers added to the 403b plan provider list.

**Table 1 – Optional Providers to Employee Ratio**

	<b>Current Law</b>	<b>Eight Providers Added</b>	<b>Sixteen Providers Added</b>
Total Providers	9	17	25
DAS FTE Positions	1.1	2.0	3.0
Total Annual Fee	\$400	\$700	\$1,015

### **Source**

Department of Administrative Services

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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